

CHAPTER I

BENEFIT ACCURACY MEASUREMENT OVERVIEW

1. **Introduction.** The Unemployment Insurance (UI) Benefit Accuracy Measurement (BAM) system is a diagnostic tool for the use of Federal and State Employment Security Agency (SESA) staff in identifying errors and their causes and in correcting and tracking solutions to these problems. Representative samples of UI payments and disqualifying ineligibility determinations are drawn and examined intensively to determine whether they were properly administered to claimants and whether these claimants were paid the proper amounts, or appropriately denied. On the basis of the errors identified and information gathered, States will be able to develop plans and implement corrective actions to ensure accurate administration of State law, rules, and procedures.

The major objectives of the BAM system are to:

- ! assess the impact of State and Federal laws and requirements on the system's accuracy and integrity.
- ! achieve improvements in program accuracy and integrity,
- ! encourage more efficient administration, and
- ! improve program quality and solvency through error reduction for both paid and denied claims.

The system is designed to be comprehensive in coverage by including all areas of the claims process where errors could occur.

2. **Background.** The impetus for BAM came from a study of benefits paid in six metropolitan areas during 1979 and 1980 by the National Commission on Unemployment Compensation (NCUC). The study was prompted by a continuing concern about the accuracy of the benefit payment process in the UI system. Its purpose was to determine rates, types, and causes of improper payments by thoroughly investigating a small sample of cases. The study revealed errors in benefit payments at rates significantly higher than previously reported.

As a result of these findings, the Department of Labor launched the Random Audit program in five States in 1981. Random Audit was modeled after the methodology used in the NCUC study. Additional States were added each year until 46 States were involved in 1984. The Random Audit results from 1981 through 1984 continued to confirm the high percentage of errors in benefit payments identified by the NCUC study. Although possibly exacerbated by high claim loads during the periods measured, the error rates in many States were unacceptably high.

BAM was the first phase of the Quality Control (QC) program to be implemented. The rule establishing the program was published in the Federal Register on September 3, 1987 (52 FR 33520). (See Appendix A.)

The BAM program became mandatory in 1987 and required States to select a representative sample, conduct in-depth investigations, and classify findings to provide the basis for diagnosing problems and taking corrective actions. States were required to sample at annual levels ranging from 500 to 2000 based on the number of UI benefit weeks paid (including combined-wage and Federal program claims). The methodology was explicit in requiring: a) a representative sample sufficient to maintain statistical validity, b) all information be secured through in-person contacts, c) timeliness of case completion, and d) publication of error rates by the State.

Since implementation, the BAM program has undergone several significant revisions:

In 1989, BAM was revised to allow additional time for case completion and relaxed requirements on the verifying of information on UCX, UCFE, and CWC claims.

In 1991-92, the program was again reviewed and subsequent pilot tests conducted to determine if the methods used to verify case information could be made more flexible without loss of precision. Sample levels were adjusted with the range being 500 -1800.

In July, 1993, alternative methodologies were implemented which allowed States the option to substitute telephone, FAX, and mail for in-person verification of contacts with employers, third parties, and on some work search verifications.

In 1995, quarterly sample sizes were established to assure a representative sample would be selected in each quarter during the year. In addition, the sample levels were again reduced to the range of 360 - 480, and the name was officially changed from Benefits Quality Control (BQC) to Benefit Accuracy Measurement (BAM).

In 2001, the Denied Claims Accuracy (DCA) Program was introduced to measure the accuracy of disqualifying monetary, separation, and non-separation determinations. Interstate claims were included in the sample for both paid and denied claims.

3. **Program Scope.** State resources are targeted to perform detailed investigations of benefits paid and denied in the largest permanently authorized programs (regular UI including CWC), Federally funded programs (UCFE and UCX) and interstate claims.

BAM builds on the experience of its predecessors, the BQC and Random Audit programs. The accuracy of monetary determinations and the proper detection and resolution of eligibility issues are assessed by detailed investigations of "key weeks" and disqualifying determinations of selected claims. This is accomplished through

examination of records and contacts with claimants, employers, and other parties such as Job Service, to verify all aspects of the claim that could affect eligibility for payments.

Each case investigated in BAM represents a large number within the UI population. It is very important that staff adhere to accepted methodology to ensure the reliability of data. For example, the fraud investigator can follow a tip on potential fraud, while BAM investigators must limit their cases to those selected by the computer as a result of a predetermined program. To do otherwise would jeopardize the reliability of inferences made from the data coming out of the investigations.

The States have the responsibility to draw samples, perform investigations, identify errors, compute error rates, analyze data, and initiate corrective action if appropriate. The primary Federal responsibilities are to ensure system integrity through monitoring SESA practices and procedures and to analyze BAM data to assess the impact of Federal requirements on the UI system.

Data gathered on incorrect payments and disqualifying determinations include such information as amount of error, type of error, responsible party, and cause of error. States can tabulate and analyze these data to plan corrective action focused on those areas where trends have been identified and track the impact of corrective action by monitoring the results of subsequent BAM samples.

a. Relationship with UI System. BAM is different from other SESA efforts to control erroneous payments and disqualifying determinations. While the UI fraud investigator tries to identify specific cases of fraud and recapture any overpayments, the BAM investigator looks at sample cases to produce statistics on the UI program in general. Errors uncovered as a result of BAM are corrected where feasible; however, the primary purpose is to identify system-wide problems, so that when corrected, future errors can be prevented. Likewise, the quality review of nonmonetary determinations accomplished under the Benefits Timeliness and Quality (BTQ) system provides an assessment of the adequacy of the State's factfinding, application of law and policy, and the written determination, but does not inform the system about the accuracy of the determination.

BAM is part of the formal UI system. Therefore, the findings of BAM must be consistent with official rules and written policies of the SESA. Differences between the BAM unit and other units in the UI system are required to be resolved by higher authority, with the exception of appeals decisions that modify BAM actions.

b. Automation of BAM Data Collection. The BAM system has been designed to be as highly automated as possible. States' UI computers that support BAM operations have the capability to link with both the State mainframe computers and with the DOL host computer. This system is designed to increase the accuracy of data flows by minimizing the number of paper transactions and simplifying data storage and retrieval; to increase the usefulness of the data by simplifying data retrieval and raising the sophistication with which it can be manipulated and combined with other data; and to

reduce the amount of time BAM staff must spend in data handling. The system is also designed to allow for the development of State specific fields.

4. **Handbook Organization.** This handbook contains four sections: Overview (Chapter I), Required Procedures (Chapters II-VII), Denied Claims Accuracy (Chapter VIII) and Appendices.

The section on Required Procedures defines the standard methodology to be used in all States for paid and denied claims investigations. These include organization and authority, data record creation, processing and transmission, data collection (for paid claims), classifying propriety of payments (for paid claims), investigative procedures, and record keeping and reporting.

The final section of the Handbook, the Appendices, include the Federal regulation, the Claimant Questionnaire forms, and the Investigative Guide.

An ADP User Guide (ET Handbook No. 400) which has relevance to the BAM program, has been issued under separate cover.